

ADVISORY DIRECTORS & ADVISORY BOARDS

Should Everybody Have Them?

5 Key Qs

OVERVIEW

- **There's a spectrum...**
 - *Friends, Colleagues, Business Friends, Advisors, Advisory Board*
- **Yet the basic ethos remains the same...**
 - *An independent source of support, experience and trusted advice*
- **5 Key Qs re Advisory Directors/Boards...**
 - *Why? What? Who? How? Challenges?*

Q1. WHY?

- **Wider/More Creative Governance**

- If the Main/Legal Board is too narrowly drawn, too control-focused or you are a partnership
 - *“Our [Listed] Main Board doesn’t really discuss strategy and creative things – it’s got a different purpose”*
 - *“Listed companies are building compliance robots. They don’t really understand the business they understand compliance” [AIM-listed company Chairman]*
 - *“For a number of the Tech businesses I’ve been involved with it’s really been the Advisors – as opposed to Board members – who have given advice and support”*

- **Founder/CEO Support**

- If a Founder lacks sufficient personal support, mentoring, independent or external sounding-boards on their Board or if they do not yet have any form of substantive Board
 - *“What is an Advisory Board? The sum of a CEO’s mentors”*

- **Cost-Effective Added-Value**

- NewCos or SmallCos are likely to have gaps, for example - reputation, expertise, experience, contacts. Note value thereof both practically and reputationally (internally and externally)
 - *“Several Tech firms I have known have got some great Advisors for very little cost indeed”*

Q2. WHAT?

- Compare-with/Relative-to (Main/Legal) Board

- Not a Board - no decision-making/taking authority
- Should complement the Board and strengthen the Company
- May not ever meet together - “a set of Advisory Directors” versus “an Advisory Board”
 - *“Advisory Boards? A slightly more formalised group of mentors”*

- Roles

- “Wise counsel”
- Advice
- Creativity, brainstorming, thinking outside the box, input on wider picture
- Outside people can see the wood for the trees or risks over the horizon better than insiders
- Talent pool/shallow-end for NEDs or ~“trial Board” for an informally-Boarded SmallCo
 - *“In the fast-changing Tech world the rate at which Founders and businesses learn and think creatively is a key factor in success”*
 - *“Provide an independent source of information and advice to the Founders/Directors on strategic issues or risks confronting the business”*

Q3. WHO?

- Requirements (not all in the same Advisory Director...)
 - People the Founder respects (otherwise what is the point of getting advice...?)
 - Creative, thoughtful, independent, able to speak mind and give clear opinions
 - Wide network
 - People who are on or have already done similar journeys to that the Founder is on
 - *“You need Advisors who have been there and done it”*
- NED & Advisory Skillsets Overlap But Are Not Necessarily Identical
 - Chairing Remuneration or Audit Board Sub-Committees is a world away from supporting a Founder and helping them grow a business
 - *“There is being a good Advisor versus a good Board member”*
 - However the ideal Board covers both Corporate Creativity *and* Corporate Control, so there may well be an overlap in skillsets - indeed one person may be a NED in one company and an Advisory Director in another

Q4. HOW?

- **The CEO/Founder Has To Have A Vision And Design What They Want**
 - Do you want an Advisory Board (that will meet) or just Advisors (with a fancier title)?
 - NB “Tour of Duty” concept applies to AdvDirs just as to NEDs - it makes rotation easier and avoids unanticipated endings or relationships fading away with potential ill-feelings
 - *Decide what you want and create it cf “just happen to accumulate Advisors along the way”*
- **How To Structure?**
 - *“Our Advisory Board meets quarterly. It’s great to get back to brainstorming, being creative and listening to great business people who are achieving stuff”*
 - *“The last thing I want to do is get those dozen folks in the same room at the same time - they’d never stop talking. I speak to, or coffee with, them one by one on an ad hoc basis”*
- **Implementation**
 - **Design** - Why? What? How? Who?
 - **Implement** - seduce AdvDirs, communicate expectations - requirement, commitment, compensation (formalised if you intend to use their names publicly) - and ensure sufficient periodic comms/info exchange to ensure relevance/engagement
 - **Review** - periodic, timetabled, design vs actuality, outcomes vs aims

Q5. CHALLENGES?

- Don't Use Effectively

- Go to trouble of establishing but don't reap rewards...
- Antidote: codify design even if just one sheet of A4 and diarise periodic reviews/refreshes

- Low Engagement/Irrelevance

- Great AdvDirs are busy people - your gig is unlikely to be a key focal point of theirs...
- Antidote: (i) need to engage, to communicate Co's progress, its/your challenges/needs to enable AdvDirs to add-value; (ii) show you listen and value advice even if not implemented

- Disgruntled Advisory Director(s)

- Not hard to find as "deal" can be too one-sided/exploitative - all good relationships need to be reciprocal in some way...
- A poor reputation can damage the business if soundings are taken (eg by third parties during marketing/fund-raising)...
 - *"As an Advisor they are surfing off your brand"*
 - *"Beware 'Rolodex raping' [strip-mining your contacts then casting you aside]"*
- Antidote: agreed deal, periodically reviewed for mutual satisfaction

Used well Advisory Directors or Advisory Boards can add great value to you and your Company and help take both to the next level

As with all components of your Company you need to Design-Implement-Review

Avoid exploitation and ensure engagement with sufficient two-way bandwidth to make it enjoyable and productive for all parties

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AN ENGINE OF GROWTH

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March 2021